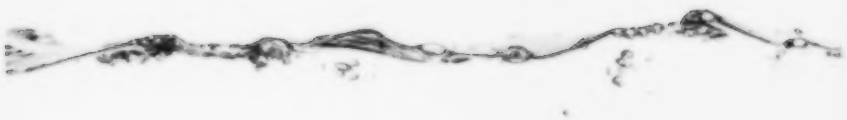
refresh

SaskWater

About SaskWater



SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

SaskWater provides professional water and wastewater services to 55 communities, 59 rural pipeline groups, 44 industrial and 213 small rural customers.

The corporation owns seven water treatment plants, three wastewater facilities, 37 pump stations and over 800 km of pipeline. SaskWater also maintains customer-owned systems and provides operator training to 39 Saskatchewan First Nations communities.

SaskWater has defined four measurable strategic objectives to guide the corporation: Succeeding Financially, Growing the Business, Achieving Business Excellence, and Valuing Employees.

Corporate profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's Mission, Vision and Values.

Vision: to be Saskatchewan's water and wastewater utility of choice.

Mission: to provide reliable and professional water and wastewater services for Saskatchewan.

Values: Integrity, Professionalism, Sense of Community and Innovation.

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Minister's Message

2009 marked many significant accomplishments for SaskWater. The theme for the 2009 Annual Report is appropriately titled "Refresh", as the provincial water utility embraced record delivery of potable water, environmental stewardship, and a modest profit.

As part of Saskatchewan's provincial government and one of the province's Crown corporations, SaskWater shares the vision for government articulated as "a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all."

Recently, Saskatchewan has witnessed economic growth and an expanding population. With this growth, SaskWater was able to deliver a record 5.74 billion litres of high-quality drinking water to Saskatchewan residents in 2009. This marked a 1.72 per cent increase over drinking water supplied in 2008.

I'm very proud of the reputation that SaskWater has built with Saskatchewan communities and First Nations in consistently providing reliable and safe drinking water and water-related services in accordance with strict standards. The 2009 Water Quality Report, published with this Annual Report, demonstrates how SaskWater has been in compliance with these standards.

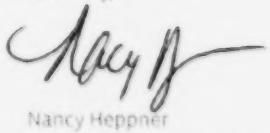
Sustaining industry in Saskatchewan is important to our government. SaskWater has done significant work with the expanding potash industry. In July 2009, a water supply agreement was signed with The Mosaic Company, for the expansion of their solution mine in Belle Plaine. This project is scheduled to be completed by year end of 2010. SaskWater continues to work with Saskatchewan's potash industries on both new and expansion projects.

In 2009, SaskWater reported a profit of $454,000, exceeding budget by $573,000. Lower than expected revenues in non-potable water, due mostly to the downturn in the potash industry, were offset by successes in reducing expenses. In addition, SaskWater was able to reduce energy consumption, and through strategically targeted asset improvement, their water loss was well below target. They continue to strive to be environmental stewards and this work will continue into 2010 and forward.

The future looks strong for SaskWater as they continue to expand their services to the municipal market, our First Nations communities, and provide expertise to the growing potash industry.

I am pleased to present SaskWater's 2009 Annual Report.

Sincerely,



Nancy Heppner
Minister Responsible for SaskWater

Letter of transmittal

Moose Jaw, March 2010

To His Honour
Dr. Gordon L. Barnhart
Lieutenant Governor of
Saskatchewan
Province of Saskatchewan

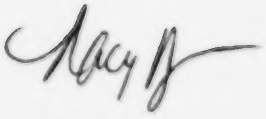
Dear Sir:

It is my honour to submit herewith the annual report of SaskWater for the year ending December 31, 2009.

The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with the Saskatchewan Water Corporation Act.

I have the honour to be your obedient servant.

Sincerely,



Nancy Heppner
Minister Responsible
for SaskWater

Letter to Stakeholders

As Saskatchewan's commercial Crown water utility, SaskWater takes pride in the critical role we play in providing professional and reliable water and wastewater services to our customers.

We are pleased to report that the commitment and dedication at the foundation of our business was rewarded by several successes throughout 2009.

Most notably among the successes for 2009, was the corporation's bottom line. SaskWater posted a $454,000 profit, our largest profit since being re-mandated a commercial Crown corporation in 2002, even though our revenues were reduced due to a decrease in non-potable volumes as a result of market conditions for our customers.

SaskWater is connected to economic growth and success for Saskatchewan municipalities by providing service to 55 communities. Also connected to SaskWater's infrastructure are 59 rural pipeline groups whose pipeline networks reach hundreds of people and communities across Saskatchewan.

With the help of these customers, SaskWater was able to deliver a record 5.74 billion litres of high-quality drinking water to Saskatchewan people in 2009, a 1.72 per cent increase over 2008.

The past year also marked the addition of a new potash mine customer for SaskWater. In July 2009, a water supply agreement was signed with The Mosaic Company, making SaskWater the provider of non-potable water for the solution mine in Belle Plaine. The pipeline and pump station project is scheduled to be completed in the fall of 2010.

SaskWater continues to build relationships with Saskatchewan First Nations. In 2009, on behalf of Indian and Northern Affairs Canada, SaskWater trained 81 water and wastewater operators at 39 First Nations communities and added remote monitoring services to three of those communities. SaskWater's Northern Engineering unit plays a key role in northern Saskatchewan through planning and managing the design and construction of water and wastewater infrastructure on behalf of the Ministry of Municipal Affairs and the communities involved. In 2009, communities with infrastructure construction projects included the Town of Lac La Ronge, the Northern Village of Air Ronge, the Lac La Ronge Indian Band, the Northern Village of Sandy Bay, the Peter Ballantyne Cree Nation, the Hatchet Lake Denesuline First Nation, the Northern Settlement of Wollaston Lake and the Northern Village of Denare Beach.

SaskWater takes very seriously our reputation for providing reliable, high-quality service on a consistent and predictable basis. SaskWater's commitment to customer service includes a responsibility to provide quality water treated in accordance with strict standards. Our annual Water Quality Report, published with the Annual Report, holds us accountable to those standards and communicates to customers where we've met and exceeded those standards.

At SaskWater, we understand the true value of water and that is reflected in our day-to-day business as we expand our services. In 2009, we added water leak detection to our lines of business. This service helps Saskatchewan's communities combat water loss which can lead to higher costs in consumption and infrastructure repair.

At SaskWater, we value our employees' expertise and ideas. Our Human Resources Advisory Committee, comprised of 11 SaskWater employees, provides input on the Human Resources strategy, refines the employee survey tool as required and reviews HR policies. In 2009, the committee developed an employee recognition program to make employee recognition an integral part of SaskWater's business and people strategy. The program is designed to create, foster and encourage an organizational culture which recognizes employee and team initiative, creativity, innovation and accomplishments while contributing to SaskWater's strategic plan.

We are very optimistic about the future of SaskWater. The progress made in moving SaskWater to commercial operations over the past seven years provides an excellent foundation. The corporation is well positioned to grow into a major successful commercial Crown for our province as Saskatchewan's clear choice for water services.

Thank you to our employees for their dedicated work and to our customers for their support. SaskWater's past successes and future successes would not be possible without you.

Stuart Kramer
President

Glen Rittinger
Chair of the Board

Systems Map

Current service in Saskatchewan

SaskWater currently owns and/or operates potable, non-potable and wastewater waterworks in the following locations/regions.

1. Pierceland
2. Meota Area
3. Melfort Area
4. Wakaw-Humboldt Area
5. Saskatoon Area
6. Hanley-Watrous-Lanigan Area
7. Elbow
8. Buffalo Pound Area
9. Gravelbourg
10. White City/Emerald Park
11. Edenwold
12. Halbrite
13. Nipawin
14. Fort Qu'Appelle

Lines of Business

SaskWater's core lines of business include:

- potable (safe for human consumption) and non-potable water supply;
- wastewater treatment and management;
- certified operations and maintenance of customer-owned systems;
- water leak detection;
- project management and operator training services; and
- remote monitoring.

Potable water supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups, and to businesses for industrial and process uses and for on-site human consumptive use.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, who then delivers the service to its residents.

Stand-alone systems

SaskWater's mandate enables the corporation to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in Elbow, White City, Pierceland, Edenwold and Gravelbourg.

Regional systems

For some rural communities, regional water systems are the most cost-effective and sustainable solutions to their water needs.

SaskWater owns and operates the Wakaw-Humboldt and Codette Lake regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these two regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 17 communities and several rural pipeline groups.

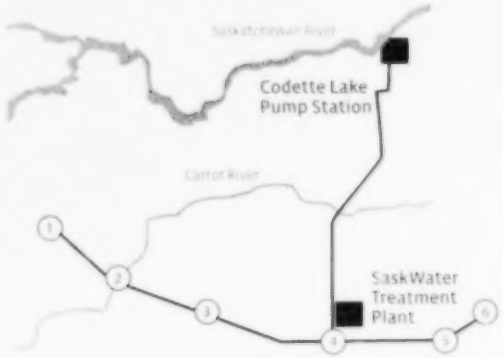
SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries and other commercial businesses, and pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board and the City of Regina, sourced from the Buffalo Pound Treatment Plant, and delivers it to surrounding communities and industries.

In 2009, SaskWater delivered a record 5.74 billion litres of high-quality drinking water to Saskatchewan communities, rural pipeline groups and industry.

Saskatoon Area:
Potable Water Supply System

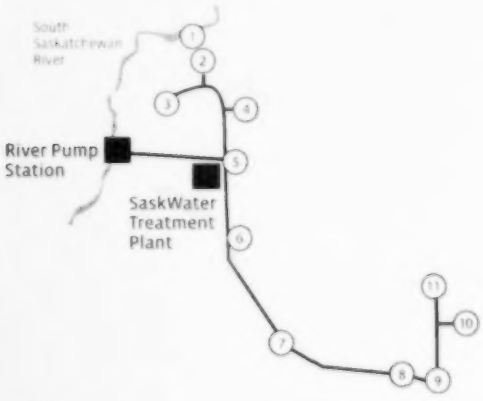
1 Hague
2 Osler
3 Dalmeny
4 Warman
5 Martensville
6 ERCO Worldwide
7 Big Hub Industrial Park
8 Prairie Pride Chick Sales Ltd
9 Perkins Ag Marketing Inc.
10 Marsulex Inc
11 Grasswood
12 Casa Rio/Wood Meadow
13 Sunset Estates
14 Clavet
15 Bradwell
16 Allan
17 Elstow

Melfort Area:
Potable Water Supply System



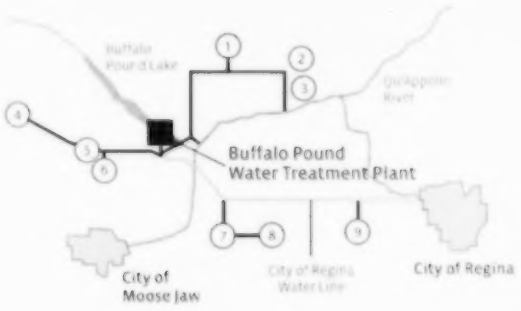
1 Weldon
2 Kinistino
3 Beatty
4 Melfort
5 Star City
6 Star City Colony

Wakaw-Humboldt Area:
Potable Water Supply System



1 St. Louis
2 Hoey
3 St. Isidore de Bellevue
4 Domremy
5 Wakaw
6 Cudworth
7 Bruno
8 Humboldt
9 Muenster
10 Annaheim
11 Lake Lenore

Buffalo Pound Area:
Potable Water Supply System



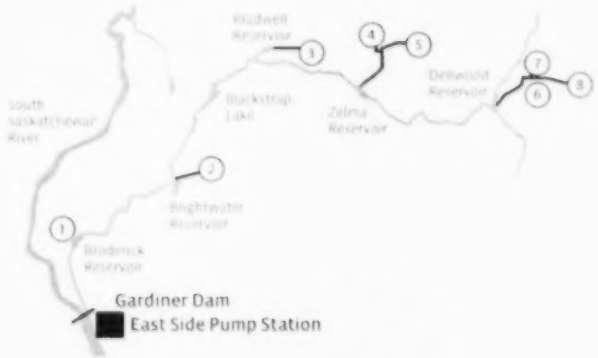
1 Bethune
2 Arm River Colony
3 Disley
4 Marquis
5 Tuxford
6 Koch Fertilizer
7 Yara Belle Plaine Inc.
8 Canadian Salt
9 Grand Coulee

Saskatoon Area:
Non-Potable Water Supply System

1 Agrium Potash
2 Vanscoy
3 PCS Cory and Cory Cogen
4 Cedar Villa
5 Riverside Estates
6 Golf Courses (WGCC/SGCC/Petrill)
7 Cargill

Regina East:
Non-Potable Water Supply System

Saskatoon Southeast:
Non-Potable Water Supply System



1 Broderick
2 Hanley
3 PCS Allan
4 Mosaic Potash Colonsay ULC
5 Viscount
6 PCS Lanigan
7 Guernsey
8 Lanigan

Buffalo Pound Area:
Non-Potable Water Supply System

Non-potable water supply

SaskWater's non-potable water supply business refers to the delivery of water that is considered not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater currently owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and Regina.

In 2009, SaskWater delivered 12.27 billion litres of non-potable water to Saskatchewan communities and industry.

Wastewater treatment and management

An emerging issue in water management is the need for environmentally sustainable wastewater treatment systems. SaskWater currently owns and operates wastewater facilities in Nipawin, Pierceland and the Echo Regional Wastewater facility in Fort Qu'Appelle.

Effluent irrigation to woodlots is an emerging innovation for disposal of sewage effluent from wastewater treatment systems. The main benefits are reduced environmental impacts and the potential for zero discharge into surface water bodies. An added benefit is reduced land use when compared to standard effluent irrigation onto cropland.

In partnership with the City of Moose Jaw, Communities of Tomorrow, Prairie Adaptation Research Collaborative and the Ministry of Agriculture, SaskWater is developing a demonstration project in the existing Baildon irrigation area. The demonstration project will assist in developing alternative disposal strategies in accordance with upcoming stringent effluent discharge regulations. Design and installation of irrigation equipment is scheduled for 2010 and tree planting is scheduled for the spring of 2011. The demonstration project will run for a period of approximately five years. Data will be collected and analyzed to determine the feasibility to use the technology in Saskatchewan communities.

Certified operations and maintenance (COM)

SaskWater contracts with communities and rural pipeline groups to provide certified operations and maintenance of their water and wastewater systems, including:

- water supply works,
- water treatment plants,
- storage facilities,
- distribution systems, and
- wastewater collection and treatment facilities.

The above services are supervised or performed by certified operators.

We also provide regulatory reporting and consultation, emergency planning, and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

In 2009, SaskWater renewed certified operations and maintenance services with the Town of White City, Star City and Halbrite and added the Interlake Regional Water Board and ATCO Frontec Corp. at 15 Wing Moose Jaw as new COM customers.

Water leak detection

In 2009, SaskWater expanded its service offerings to include water leak detection. Using the leak noise correlator technology of the Echologics LeakFinderRT, SaskWater operators can now detect subsurface water leaks, or conduct leak audits on distribution systems.

Adding this service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities, as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.

The Town of Aberdeen received the service in July and preparations are being made to provide the service to more communities in 2010.

Project management

SaskWater provides project management services, when appropriate, to plan and manage the design and construction of water and wastewater infrastructure projects.

SaskWater was contracted by the Town of Cupar to provide project management services to determine the appropriate water treatment process and related facilities required for a new water treatment plant. The relationship was motivated in part by the town receiving approval for a $1.428 million Building Canada Fund grant. The project is scheduled for completion in 2011.

Northern activities

SaskWater plans and manages the design and construction of water and wastewater infrastructure in northern Saskatchewan, on behalf of the Ministry of Municipal Affairs.

SaskWater provides ongoing technical advice to northern communities for the expansion and maintenance of water and wastewater infrastructure, including responding to community emergencies related to that infrastructure.

Throughout 2009, SaskWater continued work on the Lac La Ronge Regional Water Corporation – Water Supply System, acting as Project Manager on behalf of La Ronge, Air Ronge and the Lac La Ronge Indian Band.

The new water supply system project includes the expansion of La Ronge's water treatment plant, the conversion of Air Ronge's water treatment plant to a water distribution plant, construction of new pipelines to connect the communities and modification to the water distribution system serving the town of La Ronge, the village of Air Ronge and the Lac La Ronge First Nation.

The design for the La Ronge water treatment plant upgrade, installation of a new intake structure for the La Ronge water treatment plant, conversion of the Air Ronge water treatment plant and decommissioning of the Air Ronge intake and pump station were completed in June 2009. New water pipeline construction and modifications to existing pipelines were completed in August. Construction of the regional water treatment plant and other facilities began in August.

SaskWater will continue its work on this project throughout 2010.

The Lac La Ronge Regional Water Corporation – Water Supply System project is one of more than 35 northern projects SaskWater was involved with in 2009.

- In 2009, the Sandy Bay Water Supply and Treatment project was completed. The project, which included building a new raw water pump station, installing a new raw water supply line and building a new water treatment plant, began supplying potable water to the Northern Village of Sandy Bay and the Peter Ballantyne Cree Nation adjacent to Sandy Bay, at the end of the year.
- SaskWater is the provincial technical advisor for the Wollaston Lake Sewage Pumping Station Upgrades project, which by the end of 2009 was servicing the Hatchet Lake Denesuline First Nation and the Northern Settlement of Wollaston Lake.
- The Denare Beach Wastewater Treatment upgrade project design was initiated in 2009 and will provide enhanced treatment of effluent for the Northern Village of Denare Beach and the Peter Ballantyne Cree Nation adjacent to Denare Beach.

Water and wastewater training

SaskWater works on behalf of Indian and Northern Affairs Canada (INAC) to provide operating training to Saskatchewan First Nations. In 2009, SaskWater trained a total of 81 water and wastewater operators on 39 First Nations communities.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to

safeguard their valuable water and wastewater infrastructure investment. The program began in 1978 and has evolved and expanded over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation;
- emergency technical assistance as required;
- limited service disruptions and threats to public water quality and supply;
- progressive operator development, including certification tutorial support; and
- annual water consumption records collection and reporting representation at project management team meetings on behalf of First Nations receiving new facilities, or significant facility upgrades and, upon request, participation in relevant stakeholder meetings.

Remote monitoring

Partnering with TransGas, SaskWater uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 37 of SaskWater's owned and contracted facilities across the province 24 hours a day, 365 days a year.

SCADA helps SaskWater improve services and reduce costs. Operating water and wastewater systems for communities in a province the size of Saskatchewan can be challenging. SaskWater serves approximately 50,000 people in 55 communities in a province that covers 140,000 square kilometres.

By remotely monitoring SaskWater facilities, cost for travel to sites is reduced and field staff can focus more time on preventative maintenance and facility improvements, providing a higher level of service to our customers.

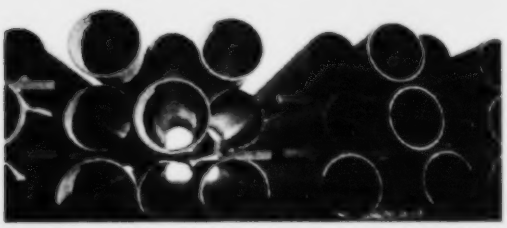
Three contracted sites, Big River, Witchekan Lake and Chitek Lake, were set up with funding from INAC and brought online in 2009.

SaskWater Welcomes Mosaic!

In July 2009, SaskWater celebrated the addition of another industrial customer.

The Mosaic Company signed a contract with SaskWater, making the Crown corporation the provider of non-potable water for the solution potash mine near Belle Plaine.

A water supply agreement was signed after Mosaic Belle Plaine requested a proposal from SaskWater to accommodate an expansion to its solution mine. SaskWater has existing infrastructure in the area servicing Yara, Terra Grain Fuels Inc. and The Canadian Salt Company.



"We are pleased to add Mosaic to our non-potable customers in the Belle Plaine area," said Stuart Kramer, SaskWater President. "This project will prove to be very beneficial to all parties involved."

The $40 million project involves construction of a new lake pump station and intake on Buffalo Pound Lake, and 18 km of pipeline to the Belle Plaine industrial area. Construction will continue over the winter and be completed in the fall of 2010.

"Mosaic is pleased to be working with SaskWater on this important project," said Norm Beug, Senior Vice President of Potash Operations for The Mosaic Company. "SaskWater has already provided value to our expansion and we look forward to a successful long-term relationship."

Work completed by the end of 2009 included installation of 1,300 lineal meters of 600 mm diameter ductile iron pipeline, one directional drill crossing of a major gas pipeline and the stripping of the route right-of-way. The pump station portion of the project has included the construction of an embankment for the structure and a cofferdam for the pending installation of a lake intake structure.

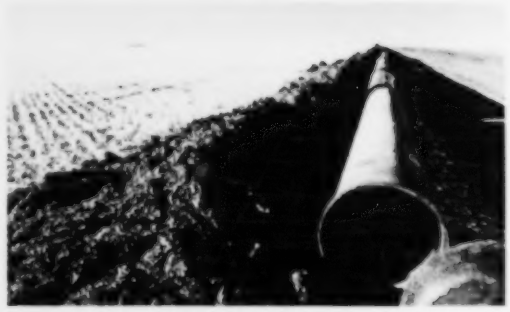
A silt curtain was used to contain any sediment plume from the earth infill and construction activities that took place in the water, and to protect the habitat outside the curtain. As a part of the environmental regulations for in-water work, all sizes of fish within the curtain area were salvaged and re-established in the lake. As well, turbidity

monitoring took place inside and out of the curtain to ensure the project remained within regulatory limits.

Construction continues with excavation for the structure and pouring of mud and raft slabs for the floor of the pump station.

SaskWater has a long-standing relationship with the potash industry. The provincial Crown corporation has supplied water to Mosaic's Colonsay mine for over 40 years. SaskWater's other potash customers include PotashCorp Cory, Allan and Lanigan, and Agrium at Vanscoy. Combined, these five mines used approximately 5.2 billion litres of SaskWater non-potable water in 2009.

Including the potash industry, SaskWater's 44 industrial customers make up two-thirds of the corporation's total water sales. The majority of SaskWater's non-potable



water supply is delivered in large volumes to industrial customers for processing and manufacturing operations in the mining sector, fertilizer production, power production, food processing, agriculture, chemical, ethanol and to several golf courses. SaskWater currently owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and Regina.

Save a drop. Save a lot.

As Saskatchewan's commercial Crown water utility, SaskWater believes that without safe, reliable water services, our people and communities—like most vibrant, living things—cannot survive. As such, we remain steadfast in our commitment to help communities and people understand the true value of water in order to ensure a reliable supply now and in the future.

With the support of a $50,000 grant from the Saskatchewan Watershed Authority, SaskWater was able to deliver the **Save a drop. Save a lot.** water conservation campaign throughout 2009. The goals of the campaign were to promote water conservation among SaskWater's municipal customers, give municipal customers the information they need to reduce leakage on their distribution systems, and educate customers about the value of water and the importance of water conservation initiatives.

The **Save a drop. Save a lot.** campaign kicked off in February 2009 with a leak detection workshop at the 2009 SUMA Annual Convention. The workshop entitled *"Where Is All Our Water Going?"* was available to SaskWater's municipal and rural pipeline group customers as well as all SUMA Annual Convention delegates and general SUMA membership.

Forty people attended the session, which included information on the effects of unaccounted water loss, how to find leaks, new leak detection technologies and how SaskWater can help. Since the workshop, SaskWater has added water leak detection as a new service available to Saskatchewan communities.

As a part of the education portion of the campaign, and to celebrate World Water Day on March 22, SaskWater invited 70 Grade 5 classes in 40 customer communities to participate in a water conservation poster contest. Individually or as groups, students created posters that represented the importance of water conservation to them. SaskWater staff then reviewed the contest entries and 12 posters were selected and featured in a 2010 calendar.

"Thanks for creating this type of contest, it is an effective way to enlighten the students in the area of water conservation," said Maury Koskie, a teacher at Clive Draycott School in Bethune.

The SaskWater **Save a drop. Save a lot.** 2010 calendar was distributed in early December to customers, government contacts, non-government contacts, stakeholders, employees, all municipalities (cities, towns, RMs, villages etc.) in the province, all waterworks associations and to the teachers and students who participated. In total, 2,500 calendars were distributed.

SaskWater also sponsored Engineers Without Borders (EWB) workshops, presented by members of the University of Saskatchewan and University of Regina chapters, at schools in 16 communities throughout April, May and June 2009.

The EWB Water for the World workshops reached over 1,200 students in a variety of grades. During the

interactive workshop, students built a mini-water filter out of a 2-litre pop bottle and layers of sand and gravel, learned about water issues in Canada and how gaining access to safe water is a challenge for people in developing communities.

The initial intent of SaskWater's proposal to EWB was to have each chapter present one workshop in eight schools, for a total of 16 schools visited. With the help of the extremely motivated EWB members, and an overwhelming response from the schools contacted, the chapters were able to do as many as five workshop presentations at each school, reaching far more students than anticipated.

"My science students were engaged and excited to learn about water throughout this presentation, and the information was a perfect match to what we are learning about with respect to Saskatchewan and environmental quality. It was also an insightful look into how the water we so often take for granted relates to world water supplies, and issues concerning quantity and quality," said Kristen Holmgren, a teacher at Melfort & Unit Comprehensive Collegiate. *"Thank you so much for this wonderful educational experience! The students clearly benefitted from the entertaining presentation, and the hands-on experience with finding solutions to real-world problems."*

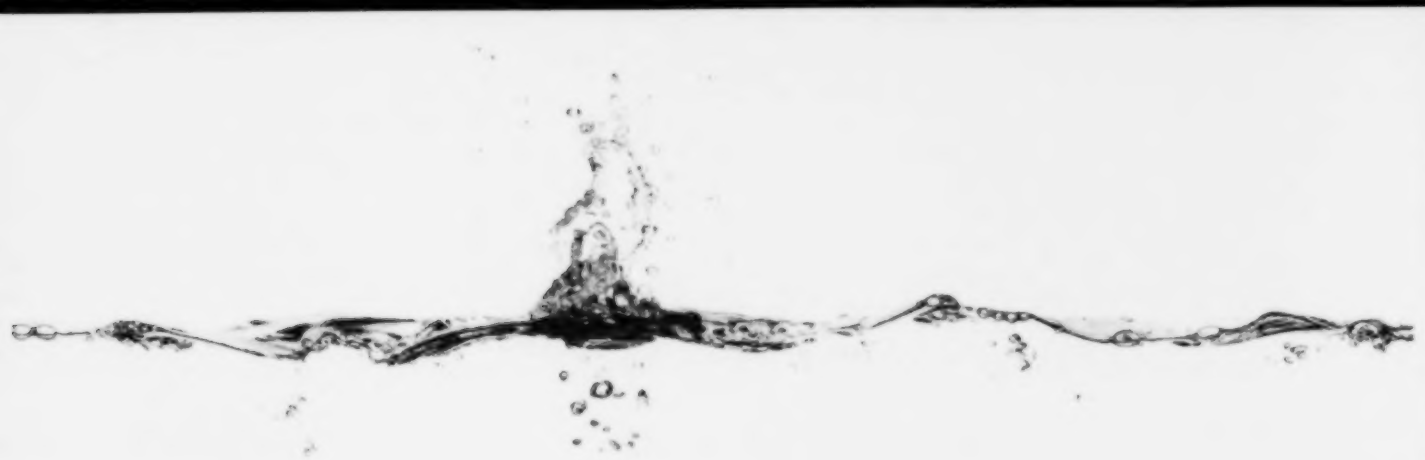
Normally, without outside funding, the EWB chapters are not able to deliver their school outreach program beyond the limits of Saskatoon and Regina. SaskWater was pleased to help this group expand their audience to reach our rural customers.

"Our role at SaskWater extends far beyond simply providing water and wastewater services to our customers. We also embrace and accept our responsibility to protect the natural resource we supply for everyone," said SaskWater President Stuart Kramer. *"Sponsoring Engineers Without Borders workshops in our customer areas is another way to get people thinking about and incorporating water conservation practices into their daily routines."*

The **Save a drop. Save a lot.** campaign also included the creation and distribution of a SaskWater water conservation brochure and a household water saving kit. **Save a drop. Save a lot.** billboards were placed in Belle Plaine, Davidson and Hague from May to October, water conservation themed ads were placed in the SUMA *Urban Voice* and a Conservation section was added to www.saskwater.com.

Although the grant-funded portion of the campaign concluded at the end of 2009, SaskWater plans to continue to use and expand on the materials and sponsorships developed during the campaign.

Water is essential to life and conserving and preserving our water sources is everyone's responsibility. *It is never too late to learn to conserve.*



At SaskWater

Employees

At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

Headquartered in Moose Jaw, SaskWater has approximately 100 employees working in 12 provincial locations: Moose Jaw, Watrous, Prince Albert, Saskatoon, Hanley, Wakaw, Melfort, Regina, White City, Elbow, Gravelbourg and Meota.

SaskWater operates in a unionized environment; 58 of our permanent employees are members of the Communications, Energy and Paperworkers Union, Local 820.

Diversity

At SaskWater, we also understand the importance of a diverse workforce to support not only our operations, but to help us continue to be an innovative and forward-looking corporation in Saskatchewan.

In 2009, designated equity group members—Aboriginal persons, persons with disabilities, women in under-represented roles and visible minorities—represented 24 per cent of SaskWater's workforce.

To further support diversity at SaskWater, we continue to deliver an Aboriginal Cultural Awareness Program (ACAP) to SaskWater employees. In 2009, 10 of our employees attended this program, bringing the total employees trained to 91 per cent.

Our employees also attend Respect in the Workplace interactive workshops. Employees develop an understanding of how beliefs and values shape behaviour, and they learn how to bridge differences in the workplace. Twelve of our employees attended this training in 2009, bringing the total employees trained to 86 per cent.

To take the next step in building and maintaining a respectful workplace environment, a Building Successful Working Relationships workshop was developed and a pilot session was delivered in 2009. Twelve SaskWater employees participated in the pilot workshop.

Training

To further support SaskWater employees, we encourage and support training in the areas of ongoing education and professional development.

Training is offered to upgrade the knowledge and skills of employees. This increases organizational effectiveness by raising overall employee performance.

In 2009, SaskWater committed three per cent of base salary towards training and development. Eighty-three employees took part in training initiatives, which included continuing their formal education and attending conferences, workshops, seminars, occupational health and safety and mandatory training.

Customer satisfaction

SaskWater strives to offer valuable customer service. To ensure the corporation is continuously improving in this area, a customer satisfaction survey is completed every other year. The feedback helps SaskWater ensure it is meeting and adapting to customers' needs.

The most recent survey findings were compiled in early 2009 after a series of interviews were conducted by Fast Consulting with a representative cross section of 98 current and potential community/association and industrial customers in Saskatchewan.

Highlights included:

- Fast Consulting research using the government's CMT (Common Measurements Tools) initiative indicates that customer satisfaction ratings for all public services in Canada average just below 8 out of 10. Comparatively, SaskWater is on pace with its most recent customer satisfaction scores of 8.13 for current community/association customers and 7.81 for current industrial customers.
- 88 per cent of current community/association customers and 89 per cent of industrial customers would recommend SaskWater to other communities/associations or industries.
- 70 per cent of community/association customers indicate that SaskWater completely meets their needs. This was a significant increase from the previous survey (55 per cent).
- More than three-quarters (77 per cent) of current industrial customers indicate SaskWater completely meets their needs.
- A challenge for both community/association and industrial customers is their perceptions regarding pricing. Results indicate a lower than ideal percentage of customers feel that the rates charged are fair and reasonable (5.53 and 6.20 respectively on a scale of 1 to 10). This is being addressed with a 2010 campaign on the Value of Water and regular customer communications concerning pricing.

Community investment

As one of the province's commercial Crown corporations, part of SaskWater's role is to support Saskatchewan communities. This includes a commitment to improving the social health and well being of Saskatchewan's people.

SaskWater achieves this objective through its Community Investment program, by awarding scholarships and bursaries, and helping celebrate the success of local business.

Through its Community Investment program, SaskWater supports Saskatchewan communities by providing sponsorships and donations.

SaskWater invests in activities that represent the greatest impact possible—supporting customers, employees, and communities where employees live and work. Priority is given to activities that demonstrate environmental stewardship and diversity and Aboriginal peoples involvement in business and employment.

In 2009, SaskWater supported approximately 89 events and activities that benefitted more than 36 communities throughout the province. These sponsorships included events such as the Saskatchewan Association of Watershed Stewards workshop, the First Nations University Powwow, the Partners for the Saskatchewan River Basin Envirothon and centennial and anniversary celebrations in Watrous, Wakaw, Elbow and White City.

Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to the tap, or supporting students in their post-secondary education.

Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan. SaskWater's scholarships, co-op terms

In the Community

and internships show our commitment to recruit promising young talent in Saskatchewan.

The SaskWater SIAST Bursary provides $2,000 per year to recognize the achievement of students in the Water Resources Engineering Technology program at SIAST Palliser Campus and to provide them with encouragement and support upon graduation.

In addition to providing work placements for SIAST co-op students, SaskWater participates in the Gradworks intern program, established by Crown Investments Corporation, with the goal of providing valuable work experience to talented, high-potential post-secondary graduates.

In 2009, two Gradworks interns completed their placements with SaskWater in the areas of Marketing and Special Services and one intern secured full-time employment with SaskWater. Also in 2009, four interns were provided positions in Operations, Sales, Human Resources and Occupational Health and Safety.

Business

SaskWater shows its support for local businesses by sponsoring events such as the Saskatchewan Municipal Awards, the SIAST Business & Industry Banquet in Moose Jaw, and the Sagehill YBEX Awards in Bruno.

For the past four years, SaskWater has also sponsored the Young Entrepreneur of the Year Award at the annual Saskatchewan Chamber of Commerce ABEX (Awards of Business Excellence) Awards, as well as the Business Innovation Award at the Moose Jaw Chamber of Commerce ABEX Awards.

Partnerships

SaskWater's commitment to provide reliable and professional water and wastewater services would not be realized without key industry partners.

SaskWater has a memorandum of understanding for design and construction services with the Consulting Engineers of Saskatchewan (CES). SaskWater collaborates with CES in many areas, including the review of technology and exchange of information, experiences and best practices.

In 2009, SaskWater partnered with CES on a Technical Exchange. Consultants, operators and regulators, including Saskatchewan Environment, met and shared knowledge to the benefit of Saskatchewan's entire water and wastewater industry. Another technical exchange is tentatively scheduled for early in 2011.

SaskWater also values its ongoing partnership agreement with the Saskatchewan Urban Municipalities Association (SUMA). This relationship includes a Diamond sponsorship of SUMA's annual convention, and allows the corporation to:

- enhance relationships with existing customers and reach new customers;
- promote an understanding of our business;
- share our expertise and experience in water and wastewater management; and
- work together to provide safe, quality water products and services to Saskatchewan municipalities.

SaskWater also supports the work of organizations such as Western Canada Water, the Saskatchewan Water and Wastewater Association, the Urban Municipal Administrators Association of Saskatchewan, the Saskatchewan Stock Growers Association and the Saskatchewan Association of Rural Water Pipelines.

Balanced Scorecard

SaskWater is a subsidiary of Crown Investments Corporation (CIC) and receives strategic direction from CIC. SaskWater's balanced scorecard, informed by the Crown Sector Strategic Plan, holds the corporation accountable to the shareholder and people of Saskatchewan. SaskWater's 2009 balanced scorecard is based on SaskWater's 2009-2013 Strategic Plan, which outlines the strategic goals and objectives of the corporation. The measures and targets identified in the balanced scorecard are used to evaluate progress in four strategic themes which are viewed as critical to SaskWater's business success including:

- Succeeding Financially
- Growing the Business
- Achieving Business Excellence
- Valuing Employees

The scorecard further reflects measures used to monitor organizational performance of key corporate objectives identified for each strategic theme. In total, 30 measures were developed to provide a comprehensive picture of SaskWater's yearly financial, operational and business outcomes.

This scorecard has changed compared to previous years to better reflect SaskWater's strategic plan. Improvements were made to better link measures with corporate objectives to monitor performance. SaskWater anticipates further scorecard improvements in the future to reflect changes to the business environment.

The following discussion highlights significant 2009 balanced scorecard results.

Performance results

Succeeding Financially

- In 2009, SaskWater's net income was $454,000, which was $573,000 better than target. Total revenues were $900,000 below target due to lower than expected non-potable volumes. Expenditure savings for 2009 offset reduced revenues with SaskWater achieving cost reductions of $1.5M better than target. The corporation has saved in the areas of lower interest rates, reduced travel costs, power costs and overhead expenses. The positive result for net income was reflected in an outcome for rate of return on equity that was better than target.
- SaskWater measures O&M per sales unit (su) to provide a base unit for assessing the efficiency of resources used to produce one sales unit. In 2009, SaskWater's O&M per sales unit was $1.83/su, which exceeds the target of $1.73/su. This result was directly impacted by the decreased non-potable water volumes in 2009. While associated variable costs in supplying water have also gone down, fixed costs have remained relatively stable, resulting in higher than targeted O&M/su.

Growing the Business

- Total sales volumes in 2009 were 908,000 sales units (17.8 per cent) below target. This is primarily due to a 16.25 per cent reduction in the non-potable water volumes compared to 2008 as a result of the slowdown in the potash sector. The decrease in non-potable volumes was partially offset by an increase of 1.72 per cent in potable volumes compared to 2008. This is attributed to growth in the communities that SaskWater supplies around Saskatoon and Regina.

Business Excellence

- SaskWater continued to provide high-quality water and received no boil water orders in 2009. SaskWater's detailed Water Quality Report for 2009 is distributed with the 2009 Annual Report and is available online at www.saskwater.com.
- SaskWater continued to provide dependable services to its customers, with fewer unplanned interruptions in 2009 than anticipated. Service interruptions that did occur lasted on average 4.98 hours.
- SaskWater carries out a bi-annual customer survey which measures the relative satisfaction that customers have in doing business with SaskWater. As the customer survey was completed in 2008, it was not carried out in 2009.

- SaskWater's focus on efficiencies resulted in the energy consumption per sales unit being lower than targeted. The year-end result for energy consumption per sales unit was 2.98kWh/su versus the targeted 3.13 kWh/su.
- Water conservation is important to SaskWater, and as such, efforts have been made to reduce water losses. Transmission pipeline losses are 2.32 per cent for the year which is better than the target of 3.13 per cent. Overall, the water loss from SaskWater's infrastructure is very low. Typical accuracy of the measuring equipment is plus or minus 2 per cent. As such, small changes from year to year are normal and are not as significant as long-term trends.
- SaskWater continued to support Saskatchewan businesses by purchasing $10.9M in goods and services from Saskatchewan companies, which represents 97 per cent of the corporation's total purchases. SaskWater did not achieve its target of purchasing $30,000 of goods and services from Aboriginal corporations. To date, SaskWater has been challenged in tendering contracts to Aboriginal corporations for relevant services that are required.

Valuing Employees

- An engaged workforce is the key to a productive and successful corporation. As such, SaskWater conducts an annual Employee Satisfaction Survey to track its progress towards improving employee satisfaction. In 2009, employee satisfaction decreased to 3.23 compared to 2008 (3.37), and is below the target of 3.30. Results of the survey indicated that SaskWater's engagement across the organization went down, with the lowest scores in the areas of senior leadership and vision.

Succeeding Financially

Objective	Measure	Targets 2009	Results 2009	Targets 2010
Increase revenue and profitability	Net Income	-$0.12M	$0.45M	$0.16M
	Return on Equity	-0.4%	1.4%	0.4%
	Debt to debt and equity	68.8%	58.3%	64.2%
Increase efficiency and effectiveness	O&M per Sales Unit	$1.73	$1.83	$1.48
Establish rates based on Cost of Service principles	Percentage of customers within the Revenue Requirement Ratio target	TBD	TBD	TBD
Develop a more commercial culture	Total Revenue	$21.7M	$20.8M	N/A
	Total Expenses	$21.8M	$20.3M	N/A

Growing the Business

Objective	Measure	Targets 2009	Results 2009	Targets 2010
Ensure viable business ventures	Net Financial Contribution of new customers	TBD	TBD	TBD
Increase customer base	Number of Municipalities Served[2]	55	55	56
	Number of Industries Served[2]	37	44	N/A
	Number of COM customers	11	11	12
	Total Population Served	50,833	49,919	54,982
	Total Sales Volumes (000's) sales units	5,081	4,173	5,910

Achieving Business Excellence

Objective	Measure	Targets 2009	Results 2009	Targets 2010
Manage our infrastructure, information and resources more effectively	Unplanned Interruptions[1]	45	28	40
	Planned Interruptions[1]	16	16	19
	Number of Boil Water Orders	0	0	N/A
Develop a more productive and innovative organization	Corporate Productivity per Employee	$238K	$210K	$239K
Increase pro-activity and responsiveness to our customer needs	Customer Satisfaction Survey[4]	N/A	N/A	7.85
	Customer Complaints	38	17	37
Increase environmental stewardship in decision making	Energy Consumption per Sales Unit	53.13 kWh/SU	52.98 kWh/SU	53.10 kWh/SU
	Transmission Pipelines Water Loss	3.45%	2.32%	3.40%
Support the Saskatchewan economy	Percentage of products and services sourced in Saskatchewan	85%	97%	90%
	Value of products and services sourced from Aboriginal Corporations	$30K	$0.35K	$40K

Valuing Employees

Objective	Measure	Targets 2009	Results 2009	Targets 2010
Establish a respectful and engaging workplace environment	Women in Under-Represented and Management Groups	20.80%	15.00%	21.80%
	Aboriginals	3.90%	4.00%	3.50%
	People with disabilities	4.00%	2.00%	4.00%
	Visible Minorities	3.00%	3.00%	3.00%
	Employee Satisfaction Survey[5]	3.30	3.23	3.35
Enhance employee development	Training dollars as a percentage of employee base salaries	3.00%	2.40%	N/A
Enhance recruitment and retention	Employee Turnover	6.00%	3.40%	6.00%

1 Fourteen additional municipalities receive water or wastewater services indirectly through our customers.

2 It is important to note the industrial customer target for the 2009 Balanced Scorecard was set prior to a reclassification of several customers. As a result, the base number of industrial customers changed from 37 to 43.

3 As storage is required for most SaskWater customers, an interruption in supply does not normally mean the customer is without water. Additionally, this target will increase as Asset Management continues to advance and SaskWater assumes responsibility for new systems.

4 The customer survey is completed on a bi-annual basis and will be conducted in 2010.

5 The employee survey is completed on an annual basis in Q4 and is based on a scale of 1 to 5.

Management's Discussion and Analysis

2009 Results

Operating Revenues

Operating revenues decreased by $0.3M or 1.5 per cent to $20.8M, down from $21.1M in 2008.

- Revenue in Non-Potable water supply decreased by $0.4M from $8.0M in 2008 to $7.6M in 2009. The decrease in revenue is as a result of customers utilizing lower volumes in 2009, as compared with 2008.
- Revenue in Potable water supply increased by $0.5M over 2008 to $10.5M in 2009 as a result of increased sales volumes.
- Revenue levels in Wastewater treatment were consistent at $0.5M year over year.
- Revenue in Certified Operations and Maintenance increased by $0.1M due to two new customers commencing service during the second half of 2008, who were served for a full year in 2009.
- Services revenue decreased by $0.3M from 2008. Services include:
  - Municipal Project Management;
  - Program and Project Management for the Northern Water and Sewer Program funded by Government Relations;
  - First Nations operator training and technical support; and
  - Audit and Emergency Services.

Municipal Project Management contracts account for a decrease of $0.4M as revenue from this line of business is on an as needed basis. An increase of $0.1M is a result of increased activity in the Northern Project Management and First Nations operator training and technical support lines of business.

Operating Expenses

Total operating expenses decreased by $1.8M or by 8.1 per cent to $20.3M from $22.1M in 2008.

- Expenses in Non-Potable water supply decreased by $0.5M, from $2.4M in 2008 to $1.9M in 2009. This is the result of decreased costs associated with customers utilizing lower volumes in 2009, as compared with 2008.
- Expenses in Potable water supply increased by $0.7M or 12.1 per cent. This increase is a result of increased costs for purchasing bulk water and utilities (attributable to higher volumes and costs) as well as increased business development efforts with respect to municipal potable water.
- Expenses in Wastewater treatment decreased by $0.2M in 2009. The decrease in costs for the year is directly related to a special service provided to one of our customers in 2008 for which the corporation was reimbursed through other revenue in 2008.
- Expenses in Certified Operations and Maintenance have increased marginally by 3 per cent over 2008 as a result of providing services for two new customers, who signed on during the latter half 2008, for the whole year in 2009. The increased salary costs for providing these services were partially offset by savings in other areas.
- In total, expenses for Services (Municipal Project Management, Northern Water and Sewer Program for Government Relations, First Nations operator training and technical support, and Audit and Emergency Services) have decreased $0.4M over 2008. Municipal Project Management costs represent the majority of the decrease and are tied to the contracts that were completed during 2008.
- Overhead and administration expenses decreased by $1.0M over 2008. During 2009, SaskWater realized the largest savings in salaries and benefits costs due to position management throughout the organization. This was supplemented by additional savings in many other areas of administration.
- Interest expense decreased by $0.2M as a result of favourable short-term interest rates as compared to 2008.

Volumes

- Total sales volumes decreased to 4.19 billion gallons, which is down from 4.7 billion gallons in 2008. This decrease in volume is due to some of SaskWater's major industrial non-potable water customers utilizing lower volumes of water than they have typically used, which has a direct correlation to market conditions within their own industries.

Capital Investment

In 2009, $17.8M was spent on capital new construction and expansion projects, asset management programs and infrastructure management on existing projects. Significant projects include:

- Design and construction of the Saskatoon Potable Water Supply System – Northwest to supply water to an industrial subdivision;
- Design and construction of the Saskatoon Potable Water Supply System – Northeast to supply water to the Town of Aberdeen and rural users;
- Design and construction of the Buffalo Pound Non-Potable Water Supply System – Expansion Project to supply water for the mine expansion at Mosaic Belle Plaine;
- Design and construction of the Saskatoon Non-Potable Water Supply System – East booster station to supply increased water for the Cargill plant expansion;
- Completion of the construction of the North Booster Station Expansion on the Saskatoon Potable Water Supply System – North system to accommodate growth in communities and rural users north of Saskatoon; and
- Replacement of aging pipeline infrastructure on the Saskatoon Potable Water Supply System – East.

Net Income (profit/loss)

SaskWater had net income from operations of $0.5M for 2009, compared to a net loss from operations of $1.0M for 2008.

- Net loss after grant funding was $0.9M in 2008. In 2008 CIC provided grant funding of $0.1M under its Aboriginal Advisor program. The grant program ended in 2008 and no additional funding was received in 2009.

Key Performance Factors

- About 37 per cent of total revenue is derived from the sale of non-potable water to industrial customers for use in their processes. Changes in their production cycles due to market factors affect SaskWater's sales.
- Weather affects sales to municipals customers. Drought increases sales while cool, wet weather reduces sales.

Key Financial Data

- Assets total $95.0M (2008 – $79.1M).
- SaskWater will not declare a dividend to CIC in 2009.
- Return on equity (net income as a percentage of equity) is 1.4 per cent.
- Debt ratio (debt as a percentage of debt plus equity) is 58.3 per cent.

2010 Outlook

- SaskWater expects total revenues from all lines of business to increase by $2.5M to $23.3M (12.0 per cent).
- The corporation expects to report net income of $0.2M in 2010.
- SaskWater expects to invest a maximum of $25.0M into water and wastewater infrastructure projects in the province. Investments include:
  - Buffalo Pound Non-Potable Pumpstation and Pipeline
  - Saskatoon East Potable Main Booster Expansion
  - Saskatoon North Potable Water Supply – Warman Upgrade
  - White City Water Treatment Plant Reservoir Expansion
  - Saskatoon West Non-Potable System Expansion
  - Regina East Non-Potable Water Supply Upgrade
  - General Asset Management Projects

Internal Control Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Acting President and CEO along with the CFO have certified that SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2009 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting, with the exception of the deficiencies listed below:

1. A process design deficiency related to property, plant and equipment and associated depreciation that results in an inability to verify the existence and valuation of all capital assets. The effect of this deficiency is that SaskWater's capital asset and accumulated depreciation balances may be misstated. The remediation plan for this deficiency is to conduct, during 2010, an all inclusive asset count to verify the existence and remaining useful life of capital assets and a review of the depreciation calculation. Thereafter, SaskWater will annually perform a physical asset count on a rolling basis and a review of a sample of the depreciation calculations to ensure no improper changes have been made.

ii. IT general controls design deficiencies related to change management, incident management, code migration, access controls, segregation of duties and IT policies. Management is of the opinion that these deficiencies have little or no impact on SaskWater's financial reporting results, although there is the possibility for a material weakness to occur and not be detected due to weaknesses in the underlying IT supported business processes. SaskWater's IT Steering Committee, in conjunction with our IT provider will be putting a plan in place during 2010 to develop and implement appropriate processes and controls to address the design weaknesses identified.

iii. Entity level controls design deficiencies resulted from the absence of a code of conduct and criminal record checks for key employees. Management is of the opinion that these deficiencies have little or no impact on SaskWater's financial reporting results, although without these key entity level controls there is the potential for activities to take place that may create the opportunity for a material weakness to occur. A criminal record check policy was developed, and approved by SaskWater's Executive, to be implemented January 27, 2010. SaskWater's Code of Conduct and Ethics policy is currently under development and will be submitted for executive approval during the first quarter of 2010.

Future Accounting Changes – International Financial Reporting Standards (IFRS)

In February, 2008 the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook confirming the direction which requires Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis for accounting. Management, along with the other Crown Corporations, believe that IFRS is the most appropriate basis of accounting and therefore the Corporation has selected IFRS as its accounting platform.

The Corporation has commenced an IFRS conversion project including initiating the development of high-level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS, in general, and the Corporation's project plan has been reviewed by the Board of Directors.

Management and staff from SaskWater have participated in detailed IFRS training seminars. In conjunction with Crown Investments Corporation (CIC) and other Crown Corporations, project teams have completed an initial assessment of those international financial reporting standards with the highest potential for impacts on either individual Crowns or for the Crown sector as a whole.

Selection of accounting policies are being finalized and the Corporation is in the process of determining the impact of IFRS on processes, systems, internal controls over financial reporting and disclosures, and future financial position and results of operations. IFRS financial statement presentation formats are being considered. Based on the analysis to date, potential significant areas are related to accounting for plant, property and equipment, revenue recognition, impaired testing and financial statement disclosures.

Management's Responsibility

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte & Touche LLP, the Corporation's external auditors, have examined the December 31, 2009 financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,

Mart Cram, Acting President
February 12, 2010

Management's Report on Internal Control over Financial Reporting

I, Mart Cram, the Acting Chief Executive Officer of SaskWater, and I, Denise Soar, the Chief Financial Officer of SaskWater, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2009.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities, and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.

d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2009 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting, with the exception of the deficiencies listed on page 24 and 25 of SaskWater's Annual Report.

On behalf of management,

Mart Cram
Acting President and CEO

Denise Soar
Vice President and CFO

February 12, 2010

Auditors' Report

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Water Corporation as at December 31, 2009 and the statements of operations and comprehensive income (loss), retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 12, 2010

Statement of Financial Position

as at December 31, 2009

	2009	2008
	(Thousands)	
Assets		
Cash	$ 236	$ 619
Accounts receivable and advances	4,371	4,050
Prepaid expenses and supplies	253	274
Current portion of long-term receivables (note 4)	235	16
	5,095	4,959
Long-Term Receivables (note 4)	111	-
Investment - Debt Retirement Funds (note 5)	2,813	1,541
Property, Plant and Equipment (note 6)	86,947	72,594
	$ 94,966	$ 79,094
Liabilities and Province of Saskatchewan's Equity		
Accounts payable and accrued liabilities	$ 4,972	$ 3,819
Notes payable (note 7)	23,426	16,221
Current portion of long-term debt (note 9)	207	4,662
	28,605	24,702
Deferred Revenue and Prepayments (note 8)	7,365	358
Long-Term Debt (note 9)	25,500	21,055
Other Long-Term Obligations (note 10)	319	256
	61,789	46,371
Equity advance (note 11)	700	700
Retained earnings	32,477	32,023
	33,177	32,723
	$ 94,966	$ 79,094

Commitments and Contingencies (note 12)

See accompanying notes

on behalf of the Board

Chair

Director

Statement of Operations and Comprehensive Income (Loss)

for the year ended December 31

	2009	2008
	(Thousands)	
Non-Potable water supply	$ 7,635	$ 8,068
Potable water supply	10,539	9,998
Wastewater treatment	483	487
Operation and maintenance	615	509
Services	1,091	1,375
Other	397	686
	20,760	21,063
Non-Potable water supply	1,941	2,380
Potable water supply	6,455	5,782
Wastewater treatment	147	355
Operation and maintenance	587	570
Services	576	942
Overhead and administration	6,007	7,024
Amortization of property, plant and equipment	3,488	3,716
Interest	1,105	1,324
	20,306	22,093
Income (loss) before the following	454	(1,030)
CIC program grants (note 13)	–	125
Net income (loss) for the year	454	(905)
Other comprehensive income	–	–
Comprehensive income (loss)	$ 454	$ (905)

See accompanying notes

Statement of Retained Earnings

for the year ended December 31

	2009	2008
	(Thousands)	
Assets		
Retained earnings, beginning of year	$ 32,023	$ 32,928
Net income (loss) for the year	454	(905)
Retained earnings, end of year	$ 32,477	$ 32,023

See accompanying notes

Statement of Cash Flows

for the year ended December 31

	2009	2008
	(Thousands)	
Net income (loss)	$ 454	$ (905)
Charges and credits not affecting cash		
Amortization of property, plant and equipment	3,488	3,716
Addition of deferred revenue	7,007	79
Amortization of financing costs	(10)	(10)
Other long-term obligations	63	(29)
Debt retirement fund earnings	(93)	(66)
Loss on disposal of property, plant and equipment	–	9
Change in non-cash working capital items		
Accounts receivable and advances	(321)	(454)
Prepaid expenses and supplies	21	217
Accounts payable and accrued liabilities	1,153	676
Cash provided by operating activities	11,762	3,233
(Advances) Repayments of long-term receivables	(330)	15
Property, plant and equipment expenditures	(17,841)	(4,304)
Proceeds on disposal of property, plant and equipment	–	8
Cash used in investing activities	(18,171)	(4,281)
Proceeds from long-term debt	4,500	10,000
Proceeds from (repayments of) notes payable	7,205	(6,853)
Repayment of long-term debt	(4,500)	(1,009)
Debt retirement fund installments	(1,179)	(726)
Cash provided by financing activities	6,026	1,412
Change in Cash	(383)	364
Cash, Beginning of Year	619	255
Cash, End of Year	$ 236	$ 619
Interest paid during the year	$ 1,250	$ 1,453

See accompanying notes

Notes to the Financial Statements

December 31, 2009

1. Status of the Corporation

The Saskatchewan Water Corporation (the "Corporation" or "SaskWater") was established on July 1, 1984, under the authority of **The Water Corporation Act,** which remained in effect until September 30, 2002.

On October 1, 2002, **The Saskatchewan Water Corporation Act** was proclaimed.

By virtue of **The Crown Corporations Act, 1993,** the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

In accordance with the provisions of **The Saskatchewan Water Corporation Act,** the Corporation's general powers and purposes are to construct, acquire, manage or operate works and to provide services in accordance with any agreements that it enters into pursuant to this Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and appropriate allowance of doubtful accounts is provided where considered necessary. Amortization is based on estimated useful lives of property, plant and equipment. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

Financial Instruments – Classification

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and SaskWater's designation of such instruments. Trade date accounting is used.

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other comprehensive income.

Loans and receivables, other liabilities and held to maturity financial assets are recorded at amortized cost using the effective interest method.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

2. Significant Accounting Policies – continued

The Corporation uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Financial Instruments – Fair Value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below.

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has immediate access to. The fair values for cash and cash equivalents, bank indebtedness, and short-term advances were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Level 3 – Fair values were determined based on inputs for the asset or liability that are not based on observable market data.

Property, Plant and Equipment

Property, Plant and Equipment are recorded at cost less amortization. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use.

Internally provided engineering and technical services on capital projects are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects.

The Corporation reviews assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate.

Amortization of Property, Plant and Equipment is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year, otherwise the assets are not amortized until the following year.

Property, Plant and Equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

2. Significant Accounting Policies – continued

Post Retirement Benefits Other Than Pension

The Corporation administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefit is recorded when the related services of employees are performed.

Revenue Recognition

Revenue is recognized as products and services are delivered or rendered in accordance with agreed upon rates and contracts. Revenue received in advance of products and services being delivered or rendered is recorded as deferred revenue.

Future Accounting Policy Changes

In February, 2008 the CICA Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook confirming the direction which requires Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis for accounting. Management along with the other Crown Corporations believe that IFRS is the most appropriate basis of accounting and therefore the Corporation is proceeding with adoption of IFRS.

The Corporation has commenced an IFRS conversion project including initiating the development of a high-level IFRS implementation plan. An external advisor has be engaged to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS.

At this time the impact on the Corporation's future financial position and results of operations continues to be assessed. As part of the IFRS implementation the Corporation plans to make changes to certain processes and systems during 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

3. Change in Accounting Policies

Effective December 31, 2009, the Corporation adopted the accounting recommendations for Financial Instrument – Disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862). As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results. The required disclosure is provided in Note 16.

Effective January 1, 2009, the Corporation adopted a different policy for recording customer contributions in preparation for adoption of IFRS on January 1, 2010. Prior to 2009 the Corporation net any subsidies or contributions against the capital assets they related to. Currently any subsidies or contributions are recorded as deferred revenue and amortized over the shorter of, the useful life of the assets they related to or, the contract life of the customer they relate to, if applicable. Retrospective application of this policy is impracticable at this time and will be incorporated as part of the transition to IFRS on January 1, 2010.

4. Long-Term Receivables

	2009	2008
	(Thousands)	
Year Receivable		
2009	$ –	$ 16
2010	35	–
2011	111	–
	346	16
Less: Current portion of long-term receivables	(235)	(16)
	$ 111	$ –

2009 amounts represent accounts receivable balances from various clients that the Corporation entered into non-interest bearing long-term repayment plans in order to ensure collection. The 2008 amount represents loans issued to a customer as part of their water supply agreement bearing interest at 10 per cent, repayable in 2009.

5. Investment - Debt Retirement Funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), SaskWater is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investment, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 3.86 per cent for 2009 (4.60 per cent for 2008). Debt retirement funds are held for trading financial assets and are recorded at fair value on the statement of financial position. Debt retirement fund instalments due in each of the next five years are as follows:

	(Thousands)
2010	$ 207
2011	207
2012	207
2013	207
2014	207
	$ 1,035

6. Property, Plant and Equipment

	2009			2008
			(Thousands)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,552	$ –	$ 1,552	$ 1,552
Buildings	2,484	1,011	1,473	1,444
Water facilities	115,693	48,210	67,483	62,144
Maintenance equipment	2,249	1,593	656	758
Office equipment	1,091	595	496	601
Assets under construction	15,287	–	15,287	6,095
	$ 138,356	$ 51,409	$ 86,947	$ 72,594

Internally provided services capitalized during the year amounted to $1,138,000 (2008 – $765,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until the projects are substantially completed. During the year, $51,000 (2008 – $119,000) of interest was capitalized.

7. Notes Payable

		2009	2008
		(Thousands)	
Due Date	Interest Rate		
March 31, 2010	0.28%	$ 23,426	$ –
March 31, 2009	1.35%	–	16,221
		$ 23,426	$ 16,221

By Orders-in-Council, SaskWater is authorized to borrow up to $55 million (2008 – $30 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF). The additional $25 million, which will expire on December 31, 2011, was authorized in order to finance the construction phase of a major capital project being undertaken by the Corporation.

8. Deferred Revenue

Deferred revenue represents revenue received from certain customers at the commencement of supply or service. These prepayments are amortized into revenue over the term of the contract the contributions relate to on a straight-line basis or are matched against annual expenses.

	2009	2008
	(Thousands)	
Balance, beginning of year	$ 358	$ 279
Addition of prepayments	7,283	262
Amortization of prepayments	(276)	(183)
Balance, end of year	$ 7,365	$ 358

9. Long-Term Debt

	2009	2008
	(Thousands)	
Provincial Euro MTN of $4,500,000, stated rate of 4.750% (effective rate of 4.524%), due Sept 24/09	$ -	$ 4,510
CPP Investment Board of $5,000,000, stated rate of 3.800% (effective rate of 3.800%), due Dec 1/13	5,000	5,000
CPP Investment Board of $2,407,000, stated rate of 4.300% (effective rate of 4.300%), due Dec 12/15	2,407	2,407
CPP Investment Board of $2,400,000, stated rate of 4.210% (effective rate of 4.210%), due Jan 10/16	2,400	2,400
CPP Investment Board of $2,600,000, stated rate of 4.460% (effective rate of 4.460%), due May 11/17	2,600	2,600
CPP Investment Board of $5,000,000, stated rate of 4.450% (effective rate of 4.450%), due Mar 3/18	5,000	5,000
CPP Investment Board of $4,500,000, stated rate of 4.160% (effective rate of 4.160%), due Sep 01/19	4,500	-
CPP Investment Board of $2,100,000, stated rate of 5.320% (effective rate of 5.320%), due Mar 1/24	2,100	2,100
CPP Investment Board of $1,700,000, stated rate of 5.050% (effective rate of 5.050%), due Apr 10/25	1,700	1,700
	$ 25,707	$ 25,717
Less: Current portion of long-term debt		(4,600)
Current portion of debt retirement fund instalments	(207)	(362)
	$ 25,500	$ 21,055

These loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually.

Long-term debt repayments in each of the next five years are as follows:

	(Thousands)
2010	$ -
2011	-
2012	-
2013	5,000
2014	-
	$ 5,000

9. Long-Term Debt – continued

Interest on long-term debt for the year using the effective interest method is as follows

	2009	2008
	(Thousands)	
Interest on long-term debt	$ 1,151	$ 976
Amortization of financing costs	(10)	1

10. Other Long-Term Obligations

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the Communications, Energy and Paperworkers Union are as follows

	2009	2008
	(Thousands)	
Accrued benefit liability	$ 319	$ 256
Benefits paid during the year	$ –	$ 29
Net expense	$ 63	$ –

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability at December 31 are

Discount rate	5.50%	7.20%
Inflation rate	2.50%	2.50%
Average remaining service life	16.5 years	17.4 years

11. Equity Advance and Capital Disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a $55 Million line of credit extended by the Saskatchewan Ministry of Finance which is used to manage short-term liquidity.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

11. Equity Advance and Capital Disclosure – continued

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60 per cent, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	2009	2008
	(Thousands)	
Gross long-term debt	$ 25,707	$ 25,717
Notes payable	23,426	16,221
Debt retirement funds	(2,813)	(1,541)
Net debt	46,320	40,397
Total equity	33,177	32,723
Capitalization	$ 79,497	$ 73,120
Debt ratio	58.3%	55.2%

The Corporation has complied with all externally imposed restrictions on its debt for the year ended December 31, 2009.

12. Commitments and Contingencies

Contractual Commitments

As of December 31, 2009, the Corporation has outstanding commitments of $26,263,000 (2008 – $2,493,000) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

Leases

The Corporation has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands)
2010	$ 301
2011	283
2012	269
2013	262
2014 and subsequent	787
	$ 1,902

Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

13. Grants from CIC

During 2009 SaskWater did not receive any grant revenue from CIC. During 2008 SaskWater participated in a CIC sponsored Aboriginal Advisor Program that ended December 31, 2008, from which the Corporation received related grant revenue of $125,000 from CIC.

14. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue which is at rates negotiated between SaskWater and related parties. These transactions, and amounts outstanding at year end, are as follows:

	2009	2008
	(Thousands)	
Accounts receivable	$ 106	$ 107
Accounts payable and accrued liabilities	423	427
Revenue	774	1,881
Expenses	3,396	3,154

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to Saskatchewan's Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

15. Pension Plan

SaskWater's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan equal to 160 per cent of the required amounts contributed by employees for current service. The total amount paid to the Plan for 2009 was $466,000 (2008 – $449,000).

16. Financial Instruments & Risk Management

The Corporation's financial instruments consist of cash, accounts receivable and advances, long-term receivables, investments in debt retirement funds, accounts payable and accrued liabilities, notes payable and long-term debt which, by their nature, are subject to risks.

Fair Values

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments.

			2009		2008	
			(Thousands)			
			Asset (liability)		Asset (liability)	
	Classification[1]	Level[2]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash	HFT	1	$ 236	$ 236	$ 619	$ 619
Accounts Receivable and Advances	L&R	N/A	4,371	4,371	4,050	4,050
Long-term Receivables	L&R	N/A	346	346	16	16
Debt Retirement Funds	HFT	2 2	813	2,813	1,541	1,541
Financial Liabilities						
Accounts Payable and Accrued Liabilities	OL	N/A	4,972	4,972	3,819	3,819
Notes Payable	OL	N/A	23,426	23,426	16,221	16,221
Long-term debt	OL	2	25,707	26,586	25,717	26,664

[1] Classification details are as follows:
AFS – Available for Sale
HFT – Held for Trading
L&R – Loans and Receivables
OL – Other Liabilities

[2] Fair values are determined using a fair value hierarchy as follows:
Level 1 – Quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability
Level 3 – Inputs for the asset or liability that are not based on observable market data
Not applicable (N/A) – Financial instruments, including accounts receivable and advances and accounts payable and accrued liabilities are measured using the approximate the carrying value as the fair value due to the short period to maturity.

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (level two). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (level two).

16. Financial Instruments & Risk Management – continued

Market Risk – Commodity Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as held for trading and therefore recognized the change in the market value in net income for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

Market Risk – Interest Rate Risk

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation has no financial contracts in place to offset interest rate risk as of December 31, 2009. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

Market Risk – Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. At December 31, 2009, there were no derivative financial instruments outstanding.

Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2009:

	(Thousands)				
	6 months or less	7 – 12 months	Subsequent 1 year	Subsequent 3 – 5 years	More than 5 years
Accounts Payable	$ 4,972	$ –	$ –	$ –	$ –
Notes Payable	23,442	–	–	–	–
Long-term debt	559	559	1,118	8,163	24,929
	$ 28,973	$ 559	$ 1,118	$ 8,163	$ 24,929

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

16. Financial Instruments & Risk Management – continued

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2009, is limited to the fair value of the financial assets recognized as follows:

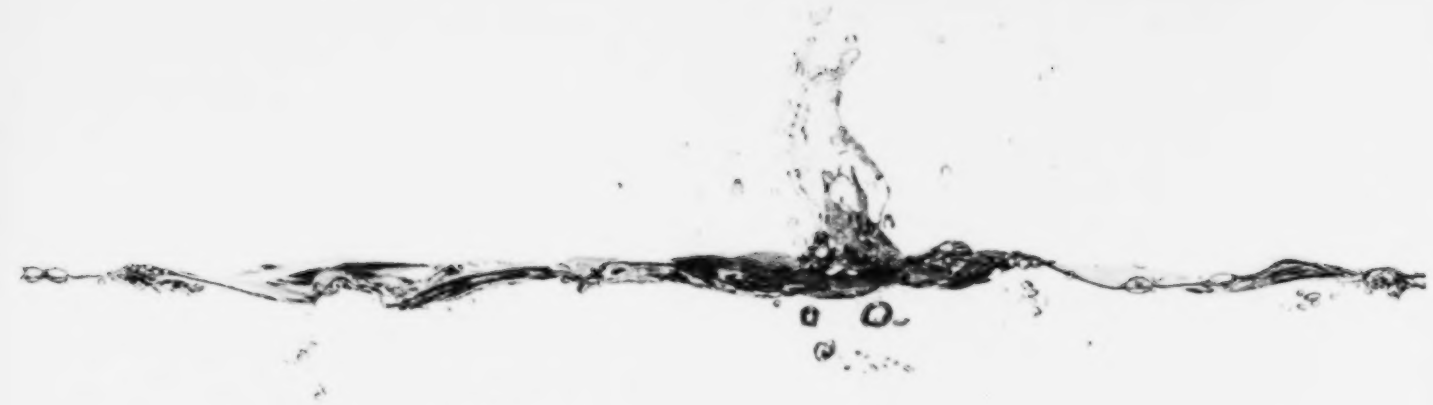
	2009	2008
	(Thousands)	
Cash	$ 236	$ 619
Accounts receivables and advances		
Current	2,261	2,924
31 – 60 days	101	14
61 – 90 days	153	9
Over 90 days	758	771
Subtotal	3,273	3,718
Allowance	(248)	(276)
	3,025	3,442
Accrued receivables and advances	1,346	608
Debt retirement funds	2,813	1,541
	$ 7,420	$ 6,210

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At December 31, 2009, the Corporation had a balance of $248,000 (2008 – $276,000) recorded in the allowance for doubtful accounts.

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At December 31, 2009, the Ministry has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2009, is considered low.

17. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.



Corporate Governance

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders involved, and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, management and board of directors are instrumental to achieving effective corporate governance.

Authority

SaskWater is a statutory Crown corporation governed by The Saskatchewan Water Corporation Act, 2002, and is subject to the provisions of The Crown Corporation Act, 1993. Crown Investments Corporation of Saskatchewan (CIC), SaskWater's holding company, has the legislative authority to oversee and direct SaskWater.

On behalf of the Board of Directors, an independent director holds position of Chair, accountable to CIC and reporting to the Minister Responsible for Crown Investments Corporation the Honourable June Draude. The Minister is a key link between SaskWater, CIC Board, Cabinet, the Legislature and the public.

On May 29, 2009, the Honourable Nancy Heppner was appointed Minister Responsible for SaskWater.

Board of Directors' responsibilities and duties

The Board is responsible for SaskWater's stewardship, while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction;
- guiding strategic planning processes;
- executing performance evaluations;
- annual and quarterly monitoring and reporting functions;
- assisting in business plan development and approval; and
- monitoring processes and systems used to achieve sustainable operations.

The SaskWater Board of Directors met nine (9) times in 2009.

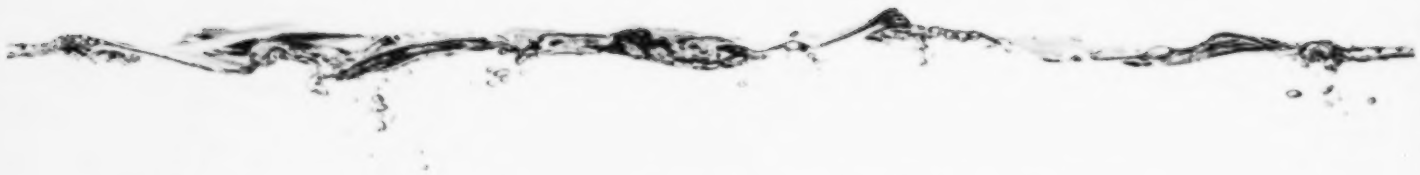
Board composition

The SaskWater Board consists of ten (10) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

Committees

The Board has established three (3) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility. The Committees of the Board are:

- Audit and Finance;
- Governance; and
- Corporate Social Responsibility and Sustainability.



Audit and Finance Committee - held six (6) meetings

Members: Ken Hookway (Chair), Glen Rittinger, Dennis Mainil

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results;
- reviewing internal controls established by management and the Board;
- participating in internal and external audit processes;
- monitoring the adequacy and condition of capital assets;
- reviewing and making recommendations on capital activities; and
- ensuring appropriate systems are in place to identify and manage risk.

Governance Committee – held four (4) meetings

Members: Gary Vidal (Chair), Lionel LaBelle, Brenda Merasty, Garry Moroz

The Governance Committee reviews, develops and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board Committees, Board Chair, individual directors and the President/CEO;
- recommending Board and Committee structure, composition and mandate;
- ensuring Board orientation and opportunities for professional development; and
- articulating the roles and responsibilities of the Board.

Corporate Social Responsibility and Sustainability Committee – held four (4) meetings

Members: Dr. Dena McMartin (Chair), Larry Burechailo, Guy Lariviere

The Corporate Social Responsibility and Sustainability Committee was established to assist SaskWater in becoming a leader in utilizing sustainability policy and best practices. This includes:

- helping to develop and implement a corporate sustainability policy;
- reviewing recommended policies, procedures and practices;
- reviewing and monitoring compliance with legislation and statutory environmental and sustainability laws and regulations; and
- identifying potential environmental risks.

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting SaskWater toll-free: 1-888-230-1111 or by e-mail customerservice@saskwater.com.

Governance practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the Corporation.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines. SaskWater's Corporate Governance Policies and Practices can be found at www.saskwater.com.

Board of Directors

Chair, Glen D. Rittinger, FCA, CFP
Swift Current

- Partner with Stark & Marsh, Chartered Accountants
- Past instructor at the University of Regina and Athabasca College
- Past council member for Institute of Chartered Accountants of Saskatchewan and a past member of the Liability Insurance Committee for the Institute of Chartered Accountants of Saskatchewan, and Saskatchewan representative to the Inter-provincial Task Force on Multidisciplinary Activities. Current member of the professional conduct committee
- Holds a B.Comm. from the University of Saskatchewan
- C.A. 1985, F.C.A. 1992
- C.F.P. 1999
- Past president of the Swift Current Kiwanis and the Swift Current Minor Hockey Association

Vice Chair, Lionel LaBelle
Saskatoon

- President and CEO of Saskatchewan Trade and Export Partnership
- Previously worked as manager, partner, president and chairman of the board for several public and private corporations focused on agri-business, construction and the manufacturing industry
- In 2003, took on an advocacy role in the development of the biofuels industry both in Saskatchewan and Canada

Larry Burechailo
Estevan

- Councillor and Deputy Mayor of Coteau Beach Resort Village
- Works at SaskPower, and represents CEP provincially on the SaskPower Safety Network Committee, also operates a farm
- Previously worked in the automotive wholesale industry in sales and as working partner, and served in the CFB/CAF Army Reserves
- Appointed as director on the Mid Sask Enterprise Region Board in 2006

Ken Hookway
Melfort

- Agricultural Lending Specialist with Advantage Credit Union
- Employed in the banking industry for the past 32 years, 27 years in Western Canada and has served in Saskatchewan since 1988
- Served as a director on many boards and committees such as the local Kinsmen Club, local United Church, Melfort Mustangs Junior Hockey Club, Melfort Chamber of Commerce and the University of Saskatchewan Regional Advisory Committee

Dr. Dena McMartin, P. Eng.
Regina

- Associate Professor in Environmental Systems Engineering at the University of Regina
- Has worked at the National Water Research Institute, Environment Canada, and as guest researcher at federal water research departments in Germany and Barbados
- Participates on several university of Regina committees and contributes to organizations such as the Association of Professional Engineers and Geoscientists of Saskatchewan and the Canadian Water Resources Association
- Holds a B.Sc. in Agricultural and Bioresource Engineering and graduate degrees in Environmental Engineering from the University of Saskatchewan

Gary Vidal, CGA
Weyburn

- Partner in the firm Pinska Vidal & Co.
- Over 25 years of experience in the accounting profession
- Serves on various boards and committees in his community
- Earned designation as Certified General Accountant in 1994

Dennis Mainil
Weyburn

- President of Jerry Mainil Ltd.
- Involved in family business of oil field construction and farming for the past 30 years
- In the past, served on the local school board and the regional park board, and is present chairman of the board of Weyburn Security and serves on the local airport board
- Received a Diploma in Agriculture from the University of Saskatchewan

Garry G. Moroz
Pelly

- Operates a registered seed farm with both registered and commercial grain, and promotes crop care products for major chemical companies
- Previously worked as credit manager and regional sales manager for a major farm equipment manufacturer, and as owner of a farm equipment business
- Helped to establish a breeder hog barn in the Pelly area, and has been involved with the RM of St. Phillips
- Graduate of Assiniboine Community College at Brandon in Agricultural Sales and Management

Brenda Merasty
Saskatoon

- Senior Policy Analyst, Post Secondary Education with Assembly of First Nations (AFN)
- Previously worked at the Saskatchewan Indian Institute of Technologies (SIIT) and as educational consultant and teacher
- Researched and implemented programs, strategies and conferences designed to advance and promote child and youth education, including community asset mapping, building and address First Nations health issues
- Received a Masters Degree in Educational Administration from the University of Saskatchewan

Guy Lariviere
Canoe Lake

- Chief of Canoe Lake Cree First Nation for past 14 years
- Previously worked in social services field and with the Federation of Saskatchewan Indian Nations
- Led his people to gain a historic land claim settlement, involving a return of traditional territory
- Currently sits on numerous boards and committees including the Indian Gaming Regulations, First Nations Bank of Canada, and Meadow Lake Tribal Council Health and Social Development Authority

FROM LEFT TO RIGHT
Larry Burechailo, Gary Vidal, Lionel LaBelle, Glen D. Rittinger, Garry G. Moroz, Dena McMartin, Dennis Mainil Missing: Brenda Merasty, Ken Hookway and Guy Lariviere

Corporate Directory

Stuart Kramer, President

Dean Bellegarde, Aboriginal Advisor to the President

Operations and Engineering

Mart Cram, Vice President, Operations and Engineering

Eric Light, Director, Engineering

Jeff Mander, Director, District Operations

Dennis Frey, Manager, District Operations

Darin Orb, Manager, District Operations

Rynette Moore-Guillaume, Manager, Special Services

Glen Gillis, Manager, Northern Engineering

Shahid Khan, Manager, Water & Wastewater Engineering

Tim Jansen, Senior Project Manager, Construction & Maintenance Engineering

Cal Stewart, Senior Project Manager, Construction & Maintenance Engineering

Business Development & Corporate Services

Denise Soar, Vice President, Business Development & Corporate Services

Randy Avery, Director, Business Development

Marie Alexander, Manager, Human Resources

Danny Bollinger, Manager, Financial Services

Ingrid Newton, Manager, Policy & Planning

Kim Cave, Manager, Administration & Facility Services

Monty Gendall, General Counsel

Karen Unger, Manager, Sales & Marketing

Gayle Zimmerman, Manager, Corporate Communications

Corporate Secretary to the Board of Directors

Terry Ross, Crown Investments Corporation

Office Locations

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Energy not consumed – 1 Million BTU's
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Net greenhouse gases prevented – 105 kg Co2 equiv.

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Data research provided by www.epa.gov and www.environmentaldefence.org

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